

APPENDIX C

PRIVATE SECTOR SUPPORT

This appendix provides examples of Service depot maintenance outsourcing, privatization initiatives, and support provided at the depot facility by on-site contractors. It demonstrates the Services are expending significant funds in the private sector to obtain the best value for both the accomplishment of depot maintenance workloads and the services needed to support depot maintenance operations.

The majority of funds appropriated for depot maintenance are used to purchase depot maintenance support from the public sector. Historically, 65-70 percent of the funds specifically appropriated for depot maintenance have been spent in or by public depots. This is not necessarily reflective, however, of the total amount of government funds paid to the private sector in support of depot maintenance. For example, in the past, such items as contractor logistics support (CLS) and interim contractor support (ICS) funds, major modifications, and parts of software maintenance were not fully captured in depot-level maintenance by the accounting process. Also, many of the dollars appropriated for organic depot maintenance ultimately are spent in the private sector. The following paragraphs detail various types of commercial support to organic maintenance depots.

Teaming and/or Shared Use of Government Facilities. Some organic depots have established teaming arrangements with commercial firms to perform major weapon system upgrades. Often, the commercial portion of such work is performed in government facilities. In addition, organic depots are contracting with commercial firms to perform specific industrial functions, such as aircraft stripping and painting, in government owned/operated facilities.

Government-Owned Contractor-Operated (GOCO) Facilities. These facilities provide the flexibility and economic benefits of commercial workforce and workload management while retaining government ownership of the facilities involved. This approach can be effectively employed for many different types of depot workloads. GOCOs are particularly well suited for privatization of workloads that require critical or unique facilities that should remain under government control (e.g., nuclear-capable ship repair facilities).

Organic Depot Support. Many of the funds allocated to public depots to perform depot maintenance are ultimately expended in the private sector. This category includes purchase of repair parts installed by public depots during repair, professional and technical services, workforce augmentation with contract personnel, and use of contract field teams (CFTs). (Appendix D provides Service examples of this type of on-site support.)

The following paragraphs provide specific Service positions and examples of partnering, outsourcing and privatization initiatives undertaken by the Services.

ARMY

Tank and Automotive Command (TACOM) Partnering Arrangements

Abrams Integrated Management (AIM XXI) Program M1: The Abrams Integrated Management (AIM XXI) program is an Abrams tank rebuild program recently approved by the Department of the Army and utilizes the core competencies of both the private and public sector. Anniston Army Depot is the Army sole source of depot-level repair and has over of 17 years experience restoring Abrams tanks. General Dynamics Land Systems (GDLS) is the original manufacturer of tanks and continues to produce them. The AIM effort requires existing Abrams tanks to be rebuilt to new manufacturing specifications. This is accomplished by using the experienced workforce from both Anniston and General Dynamics while helping to sustain the industrial base at both locations.

AIM XXI is a partnering arrangement between Anniston Army Depot and General Dynamics Land Systems. This initiative was started in FY96 as a pilot project known as the AIM XXI Proof of Principle. That effort is complete, and the program has been approved for implementation in the outyears. This will be accomplished by continued use of that partnership arrangement.

M113 Family of Vehicles (FOV). TACOM contracted with United Defense (UD) to upgrade various vehicles in the M113 Family of Vehicles to the A3 (RISE Power) configuration, and to install other modifications unique to each model. The vehicles produced were M113A3 Armored Personnel Carriers, M577A3 Command Post Carriers, M1064A3 120 mm. Mortar Carriers, and M1068A3 Standardized Integrated Command Post Carriers. The FY97 and 98 programs were conducted by United Defense in partnership with Anniston Army Depot. Although the partnering effort was successful, TACOM does not project future contracting efforts due to lack of funding and the level of Core work that must be retained within the depot system.

Aviation and Missile Command (AMCOM) Partnering Arrangement

AH-64A APACHE Prime Vendor Support (PVS). This Program Executive Office Aviation initiative is a partnering arrangement in which the contractor team will workload 50 percent of the depot repairs to the public (Corpus Christi Army Depot) and 50 percent of the depot repairs to the private sector. This arrangement will maintain organic Core capability and support the Title 10 US Code 50/50 split.

Tobyhanna Army Depot (TYAD) Partnering Agreements

Dynamic Industries Corporation Circuit Card Test Direct Sale. In this partnering arrangement TYAD will provide testing services to a contractor for the AN/TTC-39 Microsequencer circuit card assemblies. The agreement was signed on 15 October 1996. Upon completion of the first lot of circuit cards, the contractor will ship the circuit cards to TYAD for testing.

Enlogex Incorporated Teach-Quick Advantage Direct Sale. In this arrangement, Enlogex is marketing a training device to military training schools as a practical exercise. This device was designed by TYAD, using its extensive knowledge of the condition of field returns. The training device includes the types of circuit cards/connectors that have the highest rate of mishandling. This partnering agreement has been completed.

Pulse Engineering COMSEC Equipment Repair Direct Sale. This partnering agreement has TYAD repairing COMSEC equipment for Pulse Engineering Incorporated. The repaired equipment is used to support ongoing Pulse Engineering contracts with DoD. The arrangement is currently in the second year of a three-year contract.

Hughes Aircraft Company FIREFINDER Modification Kit Fabrication Direct Sale. TYAD received a request to provide FIREFINDER Modification Kits for Foreign Military Sales (FMS). Hughes has completed a market survey that indicates TYAD is the only source for the FIREFINDER Modification Kits. TYAD submitted a price and availability offer to Hughes who is currently marketing the modification to friendly foreign governments. The contract will be developed when required.

Houston Associates Incorporated COMSEC Equipment Repair Direct Sale. TYAD will repair COMSEC equipment for Houston Associates Incorporated. The equipment will be used to support ongoing Houston Associate's contracts with DoD. TYAD forwarded the contractor's additional market survey information to the Industrial Operations Command (IOC) to complete the approval process. The contract will be developed once IOC approval is granted.

Anniston Army Depot (ANAD) Partnering Agreements

Test Track Agreement. Under the authority of 10 USC 2208(j), ANAD provides by direct sales contract combat vehicle test track facilities which support Program Manager (PM) 113 vehicle programs on contract to United Defense Limited Partnership (UDLP).

M113 Family of Vehicles. Also at ANAD with UDLP for the M113 Family of Vehicles, ANAD will perform services under a direct sales contract for UDLP to support M113 vehicles programs under the M113 Program Manager TACOM contract to UDLP.

M93 FOX Upgrade. ANAD and General Dynamics Land Systems (GDLS) have a partnering arrangement where ANAD provides facility space and Land Systems services through an Interservice Support Agreement (ISSA) with GDLS and CBDCOM, and a direct sales contract with GDLS supporting GDLS's upgrade program for the M93 FOX vehicle. Authority: FAR provisions and 10 USC 4543.

Gunner's Primary Sight. ANAD provides facilities to GDLS through an ISSA with the Abrams' program manager. GD manufactures Gunner's Primary Sights for the M1A2 Main Battle Tank production. Authority: FAR provisions and 10 USC 4543.

Turbine Engine Parts Overhaul. ANAD provides, through a direct sales agreement, turbine engine overhaul parts for Allied Signal's Service Life Extension Program. Authority: 10 USC 4543.

Recuperators AGT 1500. ANAD provides facilities through a direct sales agreement with Allied Signal. Depot services provided support recuperator, a manufacturing program under a TACOM contract to Allied Signal. Authority: 10 USC 4543.

Program Manager (PM) Workshare Programs. Workshare programs are those in which the sponsoring PM divides the scope of work for the program between the public and private industrial bases. For these type efforts private contractors are under National Maintenance Contracts and the Depot is funded in the normal organic channels via Procurement Request Order Numbers (PRONs) through the Industrial Operations Command (IOC). Two of these are in effect at ANAD:

- **General Dynamics/ PM Abrams M1 to M1A2 Conversion.** This workshare is a PM Abrams directed program where work is divided between GD and ANAD to accomplish the conversion to the M1A2 Main Battle Tank.
- **United Defense/ PM Hercules M88A1 to M88A2 Conversion.** This workshare is a PM Hercules directed program where work is divided between UD and ANAD to accomplish the conversion to the M88A2 Hercules Improved Recovery Vehicle.

Letterkenny Army Depot (LEAD) Partnering Agreements

LEAD is currently partnered with United Defense, LP (UDLP), and PM Paladin in the full-scale production of the M109A6 Self-Propelled Howitzer. UDLP is not providing depot maintenance services. Depot maintenance tasks are performed by LEAD, while UDLP is responsible for system support engineering, manufacturing, assembly/integration, material support, fielding, etc.

Red River Army Depot (RRAD) Partnering Agreements

RRAD is currently partnered with United Defense (UDLP) for overhaul and conversion of the M2/3 Bradley APC.

RRAD is also currently partnered with Wagner Castings Inc. for the assembly and rubberizing of T1571, T-154 and T-130E1 Track Bodies.

OTHER ARMY PRIVATE SECTOR INITIATIVES

ANAD Outsourcing Initiative

ANAD began utilizing the Air Force Contract Field Teams (CFT) in FY95. Current CFT efforts include all steam cleaning operations, engine component abrasive cleaning, M113 Family of Vehicle (FOV) kitting, compressed gas management, BRAC equipment/parts inventory and warehousing, tire changing, turbine engine recuperator plate delivery, and M1A2 technical representation at the Lima Army Tank Plant.

Logistics Functions for the HAWK Missile System

The AMCOM is currently working a proposal to outsource all logistics functions for the HAWK Missile System. Under the PVS concept, the contractor will take over management of all AMCOM-managed Class IX assets to include any necessary repair. The contractor will be provided the option of using the Army depot for repairs. Since HAWK is no longer deployed with the U.S. Army, AMCOM will not be workloading programs for Class VII. AMCOM expects Foreign Military Sales customers will continue to use the depots for class VII if they have requirements. The objective is to have the PVS contract awarded in early FY99; however, availability of funds may cause some delay.

NAVAIR

Partnering is an area that NAVAIR is just beginning to explore and exploit. NAVAIR recognizes this as a strong potential growth area. These are some of the current NAVAIR partnering initiatives.

AV-8B Remanufacture Program. NADEP Cherry Point will be acting as the parts supplier for McDonnell Douglas Aircraft, providing reused parts (major structural items and components) as Government Furnished Equipment (GFE) for the remanufacture/conversion from older Day-Attack versions to Night-Attack/Radar-equipped Harrier II Plus configurations.

F-14 Component Virtual Prime Vendor (VPV) Program. The private sector will provide all bit and piece parts support for the F-14 rework program.

P-3 PDM Support. NADEP Jacksonville provides the backshop support of components and engineering assistance to Lockheed Martin for the P-3 PDM.

P-3 and C-130 Propeller VPV Program. A commercial vendor (Hamilton Standard) will provide bit and piece parts support for repair and build-up of P-3 and C-130 propellers.

ASDS (Advanced Seal Delivery System) Advanced Composite Partnering. NADEP Jacksonville will contract with BF Goodrich Aerospace to allow it access to and use of NADEP Jacksonville's high accuracy, large capacity Computer Numerically Controlled (CNC) router and drilling equipment in the manufacture of the advanced composite outer shell panels for the ASDS.

NAVSEA

NAVSEA is currently, and has for several years, been sending a significant quantity of ship depot maintenance workload to the private sector. The private sector works on approximately two-thirds of the Navy's ships. NAVSEA is investigating the feasibility of outsourcing or privatizing selected areas such as sandblasting, battery wetdown and charging, and sheet metal work.

Naval Undersea Warfare Center Keyport Outsourcing and Partnering Initiatives

NUWC Keyport has a long history of outsourcing those functions and operations that the private sector can provide at best value, while retaining the tasks and roles that ensure a ready and controlled source of capability and technical control to deliver required products and services to the Fleet. Major categories of tasks that have been outsourced are: Base Operating Support Services; Logistics and Supply Support (warehousing, inventory, material movement); and Technical Support Services. In FY97, NUWC Keyport added performance of the defueling and cleaning of torpedoes as well as operation of range craft to the range of functions that are accomplished by contractor personnel.

The unique capabilities of NUWC Keyport's torpedo maintenance depot have led to recent partnerships with industry to support direct commercial sales agreements with foreign customers. In these partnerships, companies (Hughes Aircraft Corp and Accutronics Inc.) have selected NUWC Keyport as the provider of choice to perform critical operations on torpedoes for their customers.

AIR FORCE

The FY98 Defense Authorization Act, Section 361 (10 USC 2474), provided the statutory authority for Centers of Industrial and Technical Excellence (CITE), as designated by the Secretary of Defense, to enter into public-private cooperative arrangements (public-private partnerships) for the performance of depot level

maintenance and repair. The intent of this legislation is to maximize the utilization of the Core capacity at the centers. This authority also enables the working capital fund to retain the cost incurred as a result of partnering arrangements.

Partnering is a strategy that uses underutilized depot organic capacity to provide facilities and equipment to the private sector for manufacture or repair DoD and commercial items and to used Government personnel to manufacture or repair DoD items. The goal is to maximize the utilization of facilities and equipment that are required to support the Core competencies of the CITE. The benefits of this strategy include increasing dollars available to buy force structure and modernize weapon systems, spreading the overhead and G&A costs to a larger workload base (thus reducing costs to both public and private sectors), efficient use of depot resources, and maintaining a well-trained, efficient workforce. Although 10 USC 2474 permits formation of public-private partnerships (PPP), the Secretary of Defense must first designate a facility as a CITE and issue enabling guidance for entering into binding Public-Private Partnerships (PPP). This action is anticipated in the next few months. The Air Force intent is to utilize existing processes to the maximum extent possible when implementing PPP.

AFMC depots exist to maintain a Core logistics capability to ensure a ready and controlled sources of technical competence and resources necessary for effective and timely responses to mobilizations, national defense contingencies, and other emergencies. Therefore, AFMC depots entering into partnerships may not outsource workloads necessary to support Core capability in order to create capacity for PPP workloads. Capabilities currently at CITEs that are not required to support Core workloads, last available source, and competitively awarded workloads will be identified for potential divestiture rather than being considered for partnering arrangements. Underutilized capacity that supports a Core capability, the last available source, or a competitively awarded workload will be analyze for feasibility of partnering with the private sector. Each potential partnering arrangement will be analyzed on its own merit and approved through the normal business board decision process. The Air Force will continue to look to increase Core capacity utilization by acquiring new and additional workloads through interservicing with other agencies, and by entering into PPPs.

Since Congress only approved partnering in November 1997, AFMC has only one valid partnering initiative to date (pending official guidance/policy). This is the Phase II LANTIRN project, which allows WR-ALC to perform 10,000 hours annually for Lockheed-Martin. All the centers are pursuing initiatives with several interested parties. Some examples are:

- Thiokol Corp. to build a propellant demilitarization facility on the Utah Test and Training Range (UTTR),
- Lockheed-Martin on F-16 workload,

- Boeing for C-17 landing gear overhaul and repair, and
- Boeing for repair of selected C-17 components.

The Air Force currently has no privatization initiatives. The Air Force is not privatizing workloads, but utilizing public/private competition to ensure “best value” for the Air Force and the taxpayers. Newark AFB was privatized because it was more cost-effective for a private contractor to take over the facilities and perform the workload than it was to move the workload to an organic depot.

The Air Force has already performed a public/private competition on the C-5 aircraft, in which WR-ALC was declared the winner. There are two other public/private competitions planned for 1998. One is the consolidated workload package at SM-ALC (ALC (KC-135, A-10, hydraulics, electrical accessories, instruments, and manufacturing). The second is the propulsion workload at SA-ALC (TF39, T56, F100 non-Core, etc). Competitions will be awarded within the limitations of 10 USC 2466 and in accordance with “best value.”

MARINE CORPS

Outsourcing Initiatives

The outsourcing initiatives undertaken by the Marine Corps utilize the Precision Logistics concept of improving processes and functions by eliminating inefficiencies. The goal is to continue providing optimum maintenance support to Marine Corps' customers as its internal and external environment changes.

The Marine Corps is currently being assisted by commercial contractors in support of the Precision Logistics goal. Initiatives undertaken include Earned Value Management System (EVMS), Activity Based Costing (ABC), and ISO9000. In each case, the depot maintenance processes are being streamlined to optimum efficiency.

Partnering with Industry

The Marine Corps has a number of proposed partnering efforts ongoing in support of future requirements. This strategy will continue into the future, with anticipation of best value without compromising Core capability.